Public Employees Disability Income Fund

Annual Report for 2015

saskatchewan.ca

Government of Saskatchewan

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Letters of Transmittal

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the twenty-fourth Annual Report of the Public Employees Disability Income Fund for the year ending December 31, 2015.

Kevin Doherty
Minister of Finance

The Honourable Kevin Doherty
Minister of Finance

Sir:

On behalf of the Pubic Employees Disability Income Plan Advisory Council, I have the honour to transmit herewith the twenty-fourth Annual Report of the Public Employees Disability Income Fund for the year ending December 31, 2015.

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Public Employees Disability Income Fund

Introduction

The Public Employees Disability Income Plan was established in 1978.

The Plan provides long-term disability benefits to employees of Executive Government, several Crown Corporations and various Agencies, Boards and Commissions as approved by the Lieutenant Governor in Council.

As at December 31, 2015 there were approximately 12,134 insured employees.

Disability Income Plan Advisory Council

Kent Walde, Chair
Ministry of Finance (PEBA)

Jeannie Essey
SaskPower

Dawn McKibben
Public Service Commission

Carolynne Warner
SaskTel

Carrie Bjola-Matileg
Public Service Commission

Vacant
SaskEnergy
Unifor Union of Canada, Local 649

Bill Lawson
SaskTel
Unifor Union of Canada, Locals 1S, 2S & 3

Sherri Kaytor
CUPE 600

Rene Nicolay
SaskPower
IBEW Local 2067

Participating Employers

The following employers participate in The Government of Saskatchewan Disability Income Plan:

Advocate of Children and Youth (Office of the)
Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
Cafeteria Board of Saskatchewan
Chief Electoral Officer (Office of the)
eHealth Saskatchewan
Farm Land Security Board
Financial and Consumer Affairs Authority of Saskatchewan
Global Transportation Hub Authority (The)
Information and Privacy Commissioner (Office of the)
Innovation Saskatchewan
Leader of the Opposition (Office of the)
Legislative Assembly Service
Liquor and Gaming Authority
Livestock Services of Saskatchewan Corporation with regards to employees who are out of the scope of a collective bargaining agreement
Meewasin Valley Authority
NDP Caucus Office
Ombudsman (Office of the)
Physician Recruitment Agency of Saskatchewan
Prairie Diagnostic Services Inc.
Provincial Archives of Saskatchewan
Provincial Auditor (Office of the)
Public Interest Disclosure Commissioner (Office of the)
Residential Tenancies (Office of)
Safe Saskatchewan Inc.
Saskatchewan Arts Board
Saskatchewan Assessment Management Agency
Saskatchewan Cancer Agency
Saskatchewan Centre of the Arts
Saskatchewan Crop Insurance Corporation
Saskatchewan Human Rights Commission
Saskatchewan Impaired Driver Treatment Centre
Saskatchewan Milk Marketing Board
Saskatchewan Municipal Board
Saskatchewan Party Caucus

Saskatchewan Polytechnic with regard to employees who are out of the scope of a collective bargaining agreement
Saskatchewan Pork Development Board
Saskatchewan Power Corporation
Saskatchewan Professional Teachers Regulatory Board
Saskatchewan Telecommunications Holding Corporation
SaskBuilds Corporation
SaskEnergy Incorporated
Technical Safety Authority of Saskatchewan
Tourism Saskatchewan
TransGas Limited
Wakamow Valley Authority
Wanuskewin Heritage Park Authority
Wascana Centre Authority
Western Development Museums
Workers' Compensation Board (The)

The Government of Saskatchewan with respect to the following individuals:

Advocate for Children and Youth
Assistant Chief Electoral Officer
Chief Electoral Officer
Conflict of Interest Commissioner
Director of Residential Tenancies
Information and Privacy Commissioner
Legislative Assembly (Members of the)
Members of the Public Service of Saskatchewan as defined by *The Public Service Act*, 1998 excluding employees covered by the Saskatchewan Government and General Employees' Union
Ombudsman
Provincial Auditor
Public Interest Disclosure Commissioner
Senior Justices of the Peace, appointed under section 4 of *The Justices of the Peace Act, 1988*
Supervising Justice of the Peace, appointed under section 3 of *The Justices of the Peace, Act*, 1988

Administration

The Public Employees Disability Income Plan is self-insured and is managed by the Public Employees Benefits Agency, Ministry of Finance.

The Disability Income Plan Advisory Council has been established under Section 15 of *The Executive Government Administration Act* and is comprised of an equal number of management and union representatives appointed by Minister's Order. The Great-West Life Assurance Company is on contract under an Administrative Services Only agreement to provide claims adjudication and benefit payment services to the Plan.

Vital Life and Northern Rehabilitation and Consulting Services Inc. (NRCS) provide rehabilitation services to the Plan.

Investment Management Services

The Minister of Finance is authorized to invest money of the Disability Income Fund in any class of investments authorized for the investment of monies in the general revenue fund.

GLC Asset Management Group Ltd. (GLC) invests the monies of the Fund under a contract to provide services. The Fund pays management fees to GLC Asset Management Group Ltd.

Funding

Employees and employers pay premiums monthly. Employees contribute 0.97 per cent of their basic monthly salary and employers contribute between 1.11 per cent and 1.22 per cent. For some plan participants the employer pays 100 per cent.

Benefits

After serving a Qualifying Period of 119 calendar days, the gross monthly disability benefit is equal to 75 per cent of pre-disability basic monthly salary.

Benefits are initially payable while an employee is occupationally disabled (unable to work at his/her own occupation). This period covers 24 months from the date of disability.

Thereafter, the employee must be totally disabled from any reasonable occupation for benefits to continue.

Benefits will continue under the total disability provision until the earlier of return to work, death, age 65 or retirement.

Premiums/Claims Experience

	Dec. 31, 2015	Dec. 31, 2014
Premiums	$21,302,885	$20,279,731
Claims	$16,171,554	$14,574,613
Active Claims	367	348

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Disability Income Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian public sector accounting standards applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

The actuary has prepared a valuation report on the provision for claims payable of the Fund, made in accordance with accepted actuarial practices and using assumptions adopted by management. This report has been used in the preparation of the financial statements.

We believe the Public Employees Disability Income Fund has a system of internal controls adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian public sector accounting standards.

The Disability Income Plan Advisory Council was established in 1978 and is comprised of an equal number of management and labour representatives. It is responsible for reviewing policies and procedures governing the operations of the Disability Income Plan, address appeals where benefits have been declined by the insurance carrier and oversee management of the investment fund.

Enclosed are the financial statements of the Public Employees Disability Income Fund for the year ended December 31, 2015 and the Provincial Auditor's report on these financial statements.

Regina, Saskatchewan
April 13, 2016

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Actuarial Opinion

With respect to the *Public Employees Disability Income Plan*, I have prepared an actuarial valuation as at December 31, 2015 for the purpose of determining the necessary actuarial information for financial statement reporting in accordance with Sections 3250 and 3255 of the Chartered Professional Accountants Canada (CPA Canada) Public Sector Accounting Handbook. In my opinion, for the purpose of this actuarial valuation:

- the data on which this valuation is based are sufficient and reliable;
- where applicable, the assumptions have been adopted as management's best estimates for accounting purposes and in my opinion, the assumptions are appropriate for the purpose of valuation;
- the actuarial cost methods employed are appropriate; and
- the valuation conforms with the requirements of the Sections 3250 and 3255 of the CPA Canada Public Sector Accounting Handbook.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses which will be revealed in subsequent valuations.

This report has been prepared and this actuarial opinion has been given in accordance with accepted actuarial practice in Canada.

David R. Larsen, FSA, FCIA
Aon Hewitt
February 26, 2016

Public Employees Disability Income Fund

Financial Statements

As At Ended December 31, 2015

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Public Employees Disability Income Fund, which comprise the statement of financial position as at December 31, 2015, and the statements of operations and change in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Employees Disability Income Fund as at December 31, 2015, and the results of its operations, change in its net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
April 13, 2016

Judy Ferguson, FCPA, FCA
Provincial Auditor

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Public Employees Disability Income Fund **Statement 1**
Statement of Financial Position

As At December 31

	2015	2014
Financial Assets		
Cash	$ -	$ 464,048
Due from Great-West Life Assurance Company (Note 4)	490,057	349,339
Accounts Receivable	979,998	937,558
Investments (Note 2c, 3)	100,827,759	92,081,543
	102,297,814	93,832,488
Liabilities		
Accounts Payable	207,493	251,512
Employer Premium Payable	95,191	102,541
Provision for Claims Payable (Note 5)	94,943,000	88,962,000
	95,245,684	89,316,053
Net Assets and Accumulated Surplus (Statement 2)	$ 7,052,130	$ 4,516,435

Contingencies (Note 7)

(See accompanying notes to the financial statements)

Public Employees Disability Income Fund **Statement 2**
Statement of Operations and Change in Net Assets

Year Ended December 31

	2015		2014
	Budget (Note 10)	Actual	Actual
Revenues			
Premiums	$ 20,613,465	$ 21,302,885	$ 20,279,731
Investment Income	8,317,681	5,497,509	8,131,327
	28,931,146	26,800,394	28,411,058
Expenses			
Disability Benefits	13,239,489	16,171,554	14,574,613
Change in Provision for Claims Payable (Note 5)	-	5,981,000	6,805,000
Administration (Note 6)	1,068,134	1,246,818	1,065,321
Adjudication Fees	562,665	614,950	584,721
Investment Management Fees	233,900	250,377	219,611
	15,104,188	24,264,699	23,249,266
Operating Surplus	13,826,958	2,535,695	5,161,792
Net Assets (Debt) and Accumulated Surplus (Deficit), Beginning of Year	4,516,435	4,516,435	(645,357)
Net Assets and Accumulated Surplus, End of Year – (Statement 1)	$ 18,343,393	$ 7,052,130	$ 4,516,435

(See accompanying notes to the financial statements)

Public Employees Disability Income Fund **Statement 3**
Statement of Cash Flows

Year Ended December 31

	2015	2014
Cash Flows from Operating Activities:		
Premiums Received	$ 21,256,390	$ 20,478,878
Disability Benefits Paid	(16,238,916)	(14,875,046)
Administration Expenses Paid	(1,222,741)	(1,146,900)
Adjudication Fees Paid	(615,636)	(585,272)
	3,179,097	3,871,660
Cash Flows from Investing Activities (Note 2c, 3):		
Net (Purchases) Sale of Investments	(3,502,427)	(3,618,906)
Net (Decrease) Increase in Cash	(323,330)	252,754
Cash Equivalents, Beginning of Year	813,387	560,633
Cash Equivalents, End of Year	$ 490,057	$ 813,387
Balance Consists of:		
Cash	$ -	$ 464,048
Due from Great West Life Assurance Company (Note 4)	490,057	349,339
Cash Equivalents, End of Year	$ 490,057	$ 813,387

(See accompanying notes to the financial statements)

Public Employees Disability Income Fund
Notes to the Financial Statements

December 31, 2015

1. Description of Fund

The Public Employees Disability Income Fund (PEDIF) is a special purpose fund used to account for the transactions of the Disability Income Plan (Plan). The Plan continues under subsection 64(2) of *The Financial Administration Act, 1993*.

This Plan is managed by the Public Employees Benefits Agency (PEBA) under the direction of the Disability Income Plan Advisory Council and provides a level of income protection during periods of occupational or total disability. Plan participants are certain employees of the public service of the Province of Saskatchewan and Saskatchewan Crown agencies, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The Government, through the Minister of Finance, entered into an agreement with Great-West Life Assurance Company (Great-West Life) to administer the Plan, effective January 1, 2009.

Premiums

Employees and employers pay premiums monthly. Employees contribute 0.97 per cent of their basic monthly salary and employers contribute between 1.11 per cent and 1.22 per cent. For some plan participants the employer pays 100 per cent of the employees' contributions.

Effective June 1, 1994, participating employers in the Public Employees Disability Income Plan remit an additional employer premium on behalf of all insured employees. This additional employer premium funds the employer's pension contribution on behalf of disabled employees who are members of the Public Employees Pension Plan. As some disabled employees are not members of the Public Employees Pension Plan, they are not entitled to have the employer's pension contribution remitted on their behalf. In these cases, the "deemed" employer's pension contribution will be refunded back to the employer each year commencing in 2005.

The refunds of the required premium, and the additional premiums, are recorded in premium revenue in the Statement of Operations and Change in Net Assets.

Benefits

After a qualifying period of 119 calendar days, a disabled employee receives a gross monthly disability benefit equal to 75 per cent of pre-disability basic monthly salary. Benefits are initially payable while an employee is occupationally disabled (unable to work at his/her own occupation). This period covers 24 months from the date of disability. Thereafter, the employee must be totally disabled from any reasonable occupation for benefits to continue. Benefits will continue under the total disability provision until the earlier of return to work, death, age 65 or retirement.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards. These statements do not present a Statement of Re-measurement Gains and Losses as it is not practical to determine the unrealized portion of investment income relating to its pooled fund investments. As a result, all income attributable to its pooled fund investments is recorded in investment income on the Statement of Operations and Change in Net Assets. The following accounting policies are considered significant:

a) Premiums Revenue

Premiums are recognized as revenue when due.

b) Disability Benefits Expense

Disability benefits expense is recognized commencing in the year the claim occurred.

c) Investments

The investments are held by GLC Asset Management Group Ltd.(GLC) on behalf of PEDIF in an assortment of pooled funds including a: money market, bond, mortgage, Canadian equity, US equity, and International equity pooled fund. All investments are valued at fair value. Pooled fund investments are valued at the year-end unit value supplied by the pooled-fund administrator, which represent the underlying net assets of the pooled fund at fair values determined using closing bid prices. The market values of investments in foreign currencies are translated into Canadian dollars at the closing rate of exchange on December 31, 2015. The purchase and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions.

d) Provision for Claims Payable

The provision for claims payable represents the present value of future payments arising from claims made prior to year-end. This provision includes an estimated amount for claims incurred but not yet reported at year-end. The provision for claims payable is determined pursuant to an actuarial valuation. Any resulting change in this liability is recognized as a revenue or expense in the Statement of Operations and Change in Net Assets.

e) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. Significant items subject to such estimates and assumptions include the determination of the provision for unpaid claims and adjudication expenses to be incurred on claims not yet paid.

The primary measurement uncertainty arising from the use of estimates which may affect reported amounts, relates to the valuation of the provision for claims payable – see Note 5.

f) Financial Instruments

Receivables and payables are measured at cost which approximates their fair value. As described in Note 2c, the investments are held by GLC and are measured at fair value.

Changes in fair value are recognized in the Statement of Operations and Change in Net Assets.

3. Investments

At December 31, 2015, the investments held on behalf of PEDIF by GLC in various pooled funds consist of short-term notes, Canadian government and corporate bonds, mortgages, Canadian equities, US equities, and International equities. GLC does not remit the investment income to PEDIF; it reinvests the income, net of management fees, in the pooled funds.

Fair Value

The Plan has classified its fair-valued financial instrument holdings using a hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3.

PEDIF only holds pooled funds that are classified at level 2:

2015

Pooled Funds	Level 1	Level 2	Level 3	Total
Money Market Fund	-	$ 3,317,553	-	$ 3,317,553
Bond Fund	-	$ 45,266,125	-	$ 45,266,125
Mortgage Fund	-	$ 12,549,786	-	$ 12,549,786
Equity funds	-	$ 39,694,295	-	$ 39,694,295
Total	-	$100,827,759	-	$100,827,759

2014

Pooled Funds	Level 1	Level 2	Level 3	Total
Money Market Fund	-	$ 5,524,746	-	$ 5,524,746
Bond Fund	-	$ 41,248,907	-	$ 41,248,907
Mortgage Fund	-	$ 11,710,903	-	$ 11,710,903
Equity funds	-	$ 33,596,987	-	$ 33,596,987
Total	-	$ 92,081,543	-	$ 92,081,543

4. Due (to)/from Great-West Life Assurance Company

According to the agreement between PEBA and Great-West Life Assurance Company, Great-West Life has established an account for receipt of PEDIF's premiums and payment of claims and administrative expenses. The balance in this account represents monies due (to)/from Great-West Life (from)/to PEDIF.

5. Provision for Claims Payable

An actuarial valuation was performed by Aon Hewitt as at December 31, 2015, to determine the liability for the future cost of existing claims of disabled members. The valuation includes a provision for claims incurred but not yet reported.

The provision for claims payable as at December 31 and the principal components of the change in provision for claims payable during the year were as follows:

	2015	2014
Provision for Claims Payable, Beginning of Year	$ 88,962,000	$ 82,157,000
Interest on Previous Liability	4,448,000	4,519,000
Mortality and Termination Experience (gain)	(1,478,000)	(118,000)
Change in Assumptions	(320,000)	1,629,000
New Claims	17,309,000	13,837,000
Data Changes	116,000	348,000
Expected Benefits Payments	(14,094,000)	(13,410,000)
Provision for Claims Payable, End of Year	$ 94,943,000	$ 88,962,000

The actuarial valuation is based on the following assumptions:

1) The allowance for claim termination is based on the Canadian Group Long-Term Disability Termination Experience Report, 1988 to 1994, as published by the Canadian Institute of Actuaries adjusted for experience;
2) The interest rate assumed is 4.8 per cent (2014 – five per cent); and
3) The inflation rate assumed is 2.3 per cent (2014 – 2.5 per cent) for all future years.

The amount of benefits payable under the Plan may be increased on October 1 each year. The increase in benefits is indexed, subject to a maximum of three per cent per annum, to the Consumer Price Index for the year ending on the immediately preceding July 1.

If the actuarial valuation assumed no indexing of benefits each year, the liability at December 31, 2015 would be $84,143,000 (2014 - $77,572,000).

The liability for claims is based on a number of assumptions about future events including: recovery and mortality rates, interest rates and expected benefits from other sources. The actual experience may vary significantly from the assumptions used.

The following illustrates the effect of changes in the interest rate, cost of living adjustment and recovery rates:

- A one per cent decrease in interest rate would result in a 4.7 per cent increase (2014 – 4.8 per cent) in the liability including the cost of living adjustment as determined by the Consumer Price Index;
- A one per cent decrease in the cost of living adjustment would result in a five per cent decrease (2014 – 5.4 per cent) in the liability; and
- A 10.0 per cent decrease in recovery rates would result in a 4.5 per cent increase (2014 – 4.3 per cent) in the liability.

The provision for claims payable is long-term in nature and there is no market for settling these obligations. Accordingly, the fair value of this provision is not determinable.

6. Administration Expenses

PEBA administers PEDIF for a mutually agreed upon fee.

7. Contingencies

PEDIF is a party to a number of lawsuits initiated by claimants relating to disability benefits. The ultimate outcome of these lawsuits is not yet determinable. Accordingly, no liability has been recorded in these financial statements. Liabilities arising from the resolution of these lawsuits will be accounted for in the year the lawsuits are settled.

8. Investment Performance

PEDIF's investments are represented by the amounts held by GLC. (see Note 2c, 3). The following is a summary of the investment performance:

	2015	Four-Year Annualized Return
Actual (a)	5.89%	8.50%
Benchmark (b)	5.83%	7.70%

(a) The annual returns are before deducting investment expenses.

(b) The benchmark return is PEDIF's target rate of return for its investments. The benchmark return is based on the performance of PEDIF's planned investment portfolio.

The assets within the PEDIF can be invested as authorized within the PEDIF's Statement of Investment Policies and Goals (Investment Policy). The Disability Income Plan Council (Council) has an agreement in place with GLC to invest the monies of PEDIF in a selection of investment mandates offered by GLC consistent with the Investment Policy. PEDIF pays investment management fees to GLC for providing this service.

9. Financial Risk Management

The nature of the PEDIF's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk, (consisting of interest rate risk, foreign exchange risk and equity price risk), and liquidity risk.

Significant financial risks are related to the Plan's investments. These financial risks are managed by having an Investment Policy, which is approved annually. The Investment Policy provides guidelines to PEDIF's investment manager for the asset mix of the portfolio regarding quality and quantity of fixed income and equity investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. PEBA reviews regular compliance reports from the investment manager as to its compliance with the Investment Policy. PEBA also reviews regular compliance reports from the pooled fund custodian as to the investment manager's compliance with the Investment Policy.

Credit Risk

PEDIF's credit risk arises primarily from two distinct sources: accounts receivable and certain investments. The maximum credit risk to which it is exposed at December 31, 2015, is limited to the carrying value of the financial assets summarized as follows:

	2015	2014
	Carrying value	Carrying value
Accounts Receivable	$ 979,998	$ 937,558
Due from Great-West Life Assurance Company	490,057	349,339
Investments[1]	61,133,464	58,484,556

[1]Bonds, mortgages & money market investments held on behalf of PEDIF.

Accounts receivable are primarily made up of employee and employer contributions receivable. Employee and employer contributions receivable are generally received within 30 days.

Credit risk within investments is primarily related to the fixed income pooled funds. It is managed through the Investment Policy that limits fixed term investments to those of high credit quality (minimum rating for bonds and mortgages, BBB, and for short-term investments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Market Risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest Rate Risk

PEDIF is exposed to changes in interest rates in its fixed income investments. Duration is a measure used to estimate the extent market values of fixed income instruments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point change in interest rates would change net assets and accumulated surplus by $3.7 million at December 31, 2015, representing 6.4 per cent of the $57.8 million fair value of fixed income investments.

Foreign Exchange

PEDIF is exposed to changes in the U.S. dollar exchange through its U.S. equity pooled fund. Also, PEDIF is exposed to International currencies through its International equity pooled fund. Exposure to both U.S. equities and International equities is limited to a maximum 18 per cent each of the market value of the total investment portfolio. At December 31, 2015, PEDIF's exposure to U.S. equities was 15.0 per cent (2014 – 13.5 per cent) and its exposure to International equities was 12.5 per cent (2014 – 10.6 per cent).

At December 31, 2015, a 10 per cent change in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $1.51 million change in net assets and accumulated surplus. A 10 per cent change in the Canadian dollar versus the EAFE currencies would result in approximately a $1.26 million change in net assets and accumulated surplus.

Equity Prices

PEDIF is exposed to changes in equity prices in Canadian, U.S. and International markets through its pooled funds. Equity pooled funds comprise 39.4 per cent (2014 – 36.5 per cent) of the carrying value of the Plan's total investments.

The following table indicates the approximate change that could be anticipated in net assets and accumulated surplus based on changes in PEDIF's benchmark indices at December 31, 2015:

	10% increase	10% decrease
S&P/TSX Composite Index	$1,200,722	$(1,200,722)
S&P 500 Index	1,509,897	(1,509,897)
MSCI EAFE Index	1,258,811	(1,258,811)

Liquidity Risk

Liquidity risk is the risk that PEDIF is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. Accounts payable and claims payable are due within one year.

10. Budget

The 2015 PEDIF operating budget was approved by the Disability Income Plan Advisory Council on December 10, 2014.

11. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to PEDIF by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan collectively referred to as "related parties." These transactions are recorded at agreed upon exchange amounts.

Due to the nature of PEDIF, substantially all premiums are received from related parties.

At year-end, the following amounts were due to/from related parties as a result of the transactions referred to above:

	2015	2014
Accounts receivable	$979,998	$919,561
Accounts payable and Employer premium payable	$263,685	$249,425

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.